

25X1



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

6 May 1986

DATE 5/8/86 *file*
 DOC NO ALA M 86-20022
 OCR 3
 P&PD 1
SOURCE

Colombia: Status of Telecommunicatio...**Summary**

Colombia's telecommunications sector is highly fragmented, with 34 state-owned companies providing telecommunications services. Radio broadcasting is dominated by the private sector. The Colombian Ministry of Communications regulates the telecommunications sector, provides policy and technical advice to all communications entities, allocates frequencies, and approves service fees. The Ministry also has authority to award contracts for pay or subscription television service. Discussions are underway with Venezuela, Peru, Bolivia, and Ecuador to reactivate the Andean regional telecommunications satellite system (Condor) project. []

25X1

The current Betancur administration has encouraged selective foreign investment, especially in sectors such as communications and electronics. We believe Colombia's strong interest in telecommunications modernization will continue into the next administration regardless of the results of the 25 May presidential elections. []

25X1

The US share of Colombia's imports of communications equipment is about 19 percent--\$13 million--and some 75 US companies are represented for sales and after-sales service. We foresee increased opportunities for US sales as a result of Bogota's import liberalization and improved foreign exchange situation. US corporations, however, face strong competition from firms in Japan, Sweden, the U. K., West Germany, France and Canada. []

25X1

* * * * *

 This memorandum was requested by the US AID Assistant Administrator for Latin America and the Caribbean. It was prepared by [] the Office of African and Latin American Analysis and coordinated with the Office of Global Issues. This analysis is based on information as of 2 May 1986. Comments and questions may be directed to the Chief, South America Division, ALA, []

25X1

25X1

ALA M-86-20022

25X1

25X1

25X1

Current State of Play

Organizational Structure. Thirty four state owned companies provide telecommunications services in Colombia. Empresa Nacional de Telecomunicaciones (Telecom)--Colombia's autonomous government-owned telecommunications company established in 1947--is responsible for the operation of all national telex services, data transmission, maritime communications, telephone and telegraph, long distance and international services. Local telephone services, which have developed separately from long distance services, are operated by municipalities and in some cases in conjunction with other public utilities--water, sewage, and electric power companies. Colombia has three television channels, all owned and controlled by the government through INRAVISION, the national institute of radio and television. Two channels can be received nationwide; the government plans to give the same coverage to the third channel. With the exception of Radiodifusora Nacional, the only radio station owned by the government, radio broadcasting in Colombia is dominated by the private sector with 401 AM and 89 FM radio stations officially registered with the Ministry of Communications, with a total installed capacity of almost 3 million watts.

25X1

Decisionmaking Procedure. The Colombian Ministry of Communications regulates the telecommunications sector, provides policy and technical advice to all communications entities, allocates frequencies, and approves fees charged for services. The National Planning Department, which establishes development priorities, must approve new projects, while the Ministry of Finance approves supplier's terms and conditions, local and foreign credits, and contracts.

25X1

Colombia is a member of the ITU (International Telecommunications Union) and Intelsat (International Telecommunications Satellite Organization) and is in the process of adopting the standards and procedures from both the Consultative Committee for International Telephone and Telegraph and the Consultative Committee for International Radio. According to US Embassy reports, the major issue likely to be raised at international forums is the sovereignty of geostationary satellite orbits. One satellite owned by a US firm is positioned two degrees from an orbit claimed by Colombia.

25X1

Also involved in Colombian decisionmaking in the field of telecommunications are the Ministry of Communications, Telecom (its International Affairs Office), and the Foreign Ministry (represented by the Subsecretary for International Organizations). Representatives meet informally to make national policy and have so far adhered to a joint decisionmaking process. We have no evidence of jurisdictional problems among decisionmaking authorities. The final arbiter in any dispute is the Consejo de Estado (the State Council)--the highest governmental body (with the same rank as the Justice Supreme Court) for litigation of government administrative matters.

25X1

Satellite Systems. Discussions are underway with Venezuela, Peru, Bolivia, and Ecuador to reactivate the controversial telecommunications satellite system (Condor) project designed to improve communications among Andean countries. A preliminary study suggests the options of either the immediate utilization of Intelsat satellites, or the purchase of a regional satellite by 1988. We are skeptical that plans for a regional satellite could reach fruition before 1990 because no Andean country is on reservation lists for scheduled satellite launch programs.

25X1

25X1

25X1

Currently all Colombian international communications are carried by an Intelsat satellite, with the exception of 2 or 3 circuits to Puerto Rico and Curacao (out of a total of 950 circuits for international traffic). A microwave network links Bogota with the Choconta earth station located northeast of the city. Recently a US satellite operator, Panamsat, offered Colombia intercontinental services, including international links to the United States, intended to augment those of Intelsat. Since Colombia's telecommunications authority owns 1.2 percent of Intelsat, the organization has categorically opposed all competing systems, including Panamsat, on the grounds that it would cause economic harm as defined in the agreement among nations that created the entity. According to US Embassy reports, the Ministry of Communications favors consultations between Intelsat and Panamsat, but the issue is now under review by the Foreign Ministry and the final decision rests in President Betancur's hands. []

25X1

Colombian Law 42 of 1984 gives the Ministry of Communications authority to contract with firms seeking to provide pay or subscription television services in Colombia. The Ministry is evaluating bids to provide television services to the cities of Bogota, Medellin, Cali, Barranquilla, Cartagena, Villavicencio, and Ibague. []

25X1

Although there are no television stations or cable TV system operators in Colombia currently transmitting programming taken from satellites intended to serve neighboring countries, the potential for piracy exists. Colombia's location on the equatorial zone enables reception of such programs through the use of dish antennas ranging from 2-6 meters, depending upon the location of the cities. []

25X1

Ongoing Programs

Government efforts at improving Colombia's communications capabilities have been complicated by the three mountain ranges that divide the country and make the installation of terrestrial equipment costly and time consuming. On the other hand, about half of Colombia's 28.6 million inhabitants are urban; 23 cities have over 100,000 inhabitants, and more than half of the urban population lives in Bogota, Medellin, Cali, and Barranquilla. []

25X1

Telecom efforts to extend telephone service beyond the major cities is evidenced by a 25-year expansion plan initiated in 1978, that has increased service from 54,000 lines to 230,000 lines. By the end of last year, service had been extended to 3,100 towns and villages, up from 1,200 such locations in 1978. The effort had been aided by the construction of earth relay stations at Acandi, Bahia Solano, Mitu, Puerto Carreno, Puerto Inirida, Puerto Liguizamo and San Vicente de Caguan. []

25X1

A contract for a feasibility study recently was awarded to Sistecom (a private Colombian entity) and Bell Canada to take an inventory of existing facilities countrywide and to evaluate development alternatives. The results of the study should be available by 1988. The Colombian Telephone Company also recently awarded a \$10 million contract to the German firm Siemens for the construction of a national data telecommunications network. []

25X1

Over the past three years of the Betancur administration, the government has taken steps to stimulate direct investment and facilitate the operations of companies with foreign ownership. For example, the government has raised the level of profit remittances, liberalized local control requirements and other restraints, and created additional incentives for export-oriented investment projects. []

25X1

25X1

25X1

Despite the easing of some policies, foreign investment in Colombia still is governed by Decision 24 of the Andean Pact and its Colombian enabling legislation, as well as Decree 444 of 1967, Colombia's foreign exchange statute. The basic concept is one of a limited role for foreign investment, complementary to domestic capital. Investment is encouraged in certain sectors in order to gain technical know-how, stimulate competition, promote regional development, and increase exports. The Betancur administration specifically has targeted the communications and electronics sectors for foreign investment.

25X1

Currently Colombia lacks legislation on international data transmission. However, a bill is being drawn up by a committee of representatives from the Ministry of Communications, Telecom, the President's Office, Colciencias (a government research institute), and ICFES (the government's educational development institute) which will regulate services. Telecom's Vice President Uldarico Posada has told US Embassy officials that only in rare cases involving the security of Colombia will the free flow of information be restricted under the new legislation. Posada has also indicated that one of the goals of the present administration is to have this legislation signed before the new congress takes office this summer. If the bill is not signed by then, it may be reconsidered or dropped.*

25X1

Outlook for Telecommunications Development

Colombia will be expanding its telecommunications capacity to meet increasing demand. Expanding communications through the satellite system would be less costly than through cable, but, for security reasons, Colombia favors the increased use of cable transmission. As it stands now, should either the Bogota or Choconta satellite stations be disabled, international communications with Colombia would be severely reduced. Studies are underway for a transcaribbean optical fiber cable linking the United States with Caribbean Basin countries. A Telecom official has said that should Colombia participate in the cable project slated for completion around 1990, Bogota would plan a 50/50 cable-satellite mix for international traffic.

25X1

Telecom became more sensitive to the need for facility diversification after Mexico's problems with their

25X1

25X1

*Colombians will elect a new president on 25 May, with the next administration taking office in August. Although the change in government may bring some changes in policy, we believe Colombia's strong interest in telecommunications modernization will continue into the next administration. The congressional elections this March, won by the opposition Liberal Party, confirmed one of Latin America's most unusual bi-partisan political systems. In 1958, following a decade of civil war, Colombia's two major political parties--the Liberals and the Conservatives--agreed to share power for 16 years in a National Front, dividing patronage evenly and alternating the presidency every four years. Although after the expiration of this political pact in 1974 two successive Liberal presidents were elected, many elements of power sharing were continued. For example, when the Conservative Betancur won in 1982, this longstanding tradition obliged him to grant cabinet seats, governorships, and other high-level jobs to members of the Liberal Party.

25X1

25X1

25X1

communications systems caused by the September 1985 earthquake.

25X1

Colombia is placing an increasing emphasis on computer-controlled electronic switching devices (digital) to replace electro-mechanical equipment (analog) and has increased its demand for private branch exchanges, telephones, data sets, teleprinters, and associated equipment. The demand for microwave equipment, including associated multiplex equipment, will continue to grow as will the demand for mobile radio services for use by aviation, marine, public safety, industrial, land transportation and individual end-users.

25X1

By the end of this year when the government expects to complete its three-year modernization plan for installing 980,000 new telephone lines, the country will have over 2.5 million local automatic-dial telephone lines or 8.7 lines per 100 people--compared to a world average of 11 per 100 people and 90 lines per 100 people in the United States. In addition, Bogota, Medellin, Barranquilla and Cali will be expanding their local exchanges, and approximately 10,350 domestic long distance and 720 international transmission circuits will be added to the basic transmission network. Some 41,000 new terminals will expand long distance switching trunk capacity and the international long distance service will receive an additional 700 switching trunks for a total of 2,000 to be in operation by the end of this year.

25X1

A complementary project will improve the local and long distance communications infrastructure by expanding service to 19,000 subscribers in 224 rural communities. The rural telephone system phase II (financed by the Inter-American Development Bank) will include the installation of telephone facilities in 1,500 remote communities and the local telephone systems will be expanded in 277 municipalities and installed for the first time in 1,914 new localities in 16 departamentos (states). Telegraphic services will be expanded to 2,462 lines; the telex service will be expanded from 7,462 lines at the end of 1983 to 13,127 lines by the end of 1986.

25X1

Commercial Environment and US Interests

Trade statistics for 1984, which are the most recent available, show that the US supplied 19 percent (\$13 million) of Colombia's imports of communications equipment. Approximately 75 US companies are represented in Colombia for sales and after-sales service. Prospects for increased US sales are good because of Bogota's import liberalization and improved foreign exchange situation. US products have a good reputation because of their advanced technology, but they suffer sometimes from poor marketing and after-sales service. The lack of competitive official financing has hurt US firms in the past, and prices offered by US manufacturers are in some cases higher than those of European and Japanese companies.

25X1

25X1

The US National Technical Information Service (NTIS) provides valuable information for Colombian entrepreneurs through the Colombian National Science Academy (Colciencias) and private sector organizations. This service helps to orient Colombian businessmen toward the purchase of US technology and equipment.

25X1

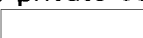
US companies currently are conducting two AID/TDP funded feasibility studies in Colombia. One covers prospects for a cellular telephone network and a radio-locator system. The other study discusses the possibility of changing the Choconta earth receiving station and alternate link from Choconta to Bogota to a time division multiple access (TDMA) system to interface with Colombia's international traffic using Intelsat VI.

25X1

25X1



25X1

US corporations face competition from major third country suppliers in Japan, Sweden, the United Kingdom, West Germany, France, and Canada. In response to the destruction of the town of Armero by the eruption of the Nevado del Ruiz volcano last November, France contributed a complete telephone exchange for the city and an earth receiving antenna for the relief effort. The Swedish firm Ericsson and the West German company Siemens compete almost entirely through local subsidiaries or licensing agreements. Japanese, French, and Canadian companies are aggressively entering the market, often supported by government subsidized credits. The hard-fought competition for the Colombian market is exemplified by the most recent Bogota Telephone Company (ETB) contract awarded to Siemens for the installation of 300,000 telephone lines which broke the thirty year monopoly of Ericsson and ITT. New and small end-users, mainly in the private sector, are turning to new suppliers that often offer lower prices and faster delivery. 

25X1



25X1

Distribution:

Original - Requestor

- 1 - DDI
- 1 - NIO/LA
- 1 - NIO/ECON
- 1 - NIC/AG
- 1 - PDB Staff
- 1 - D/ALA
- 1 - [REDACTED]
- 1 - ALA Research Director
- 1 - DDI/CPAS/ISS
- 2 - ALA/PS
- 4 - CPAS/IMC/CB ✓
- 2 - ALA/SAD
- 2 - ALA/SA/AN

25X1

DDI/ALA/SAD/AN/[REDACTED] (6 May 1986)

25X1

25X1